



Form P.S.1
Public Service Corporation
Franchise Tax Return

2004
Massachusetts
Department of
Revenue

For calendar year 2004 or taxable year beginning

2004 and ending

Name of corporation

Federal Identification number

Principal business address

City/Town

State

Zip

Date of organization

Name of Treasurer/Assistant Treasurer/Responsible Corporate Officer

State of incorporation

Check type of utility:

☐ 0170 Gas and electric

☐ 0172 Railroad

☐ 0174 Power

☐ 0176 Gas transmission

☐ 0171 Street railway

☐ 0173 Telephone

☐ 0175 Water

☐ 0177 Aqueduct

Has the federal government changed your taxable income for any prior year which has not yet been reported to Massachusetts? ☐ Yes ☐ No.
If requesting alternative apportionment under MGL Ch. 63, sec. 42, check here ☐ and enclose Form AA-1 (see instructions).

Computation of Franchise Tax

Use whole dollar method

1	Net income as shown on U.S. Form 1120, line 28 or U.S. Form 1120A, line 24	► 1	
2	State and municipal bond interest not included in U.S. net income	► 2	
3	Foreign, state or local income, franchise, excise or capital stock taxes deducted from U.S. net income	► 3	
4	Portion of net capital loss carryover used to reduce capital gain from U.S. Schedule D	► 4	
5	Section 168(k) "bonus" depreciation adjustment. See instructions	► 5	
6	Section 311 and 31J intangible and interest expenses	► 6	
7	All other income not included in lines 1 and 2 above	► 7	
8	Total. Add lines 1 through 7.	8	
9	Dividends received from other utility corporations 80% or more owned included in line 1 (from Schedule N)	► 9	
10	Abandoned building renovation deduction. Total cost ► \$ × .10	► 10	
11	Exception(s) to the add back of interest and/or intangible expenses (enclose schedule).	► 11	
12	Adjusted income. Subtract the total of lines 9 through 11 from line 8	12	
13	Income apportionment percentage (from Schedule O, line 5)	► 13	%
14	Taxable income. Multiply line 12 by line 13.	14	
15	Excise due on income. Multiply line 14 by .065	15	
16	Credit recapture (enclose Schedule H-2)	► 16	
17	Excise due before credits. Add lines 15 and 16	17	
18	Economic Opportunity Area Credit (enclose Schedule EOAC).	► 18	
19	Full Employment Credit (enclose Schedule FEC).	► 19	
20	Low-Income Housing Credit (enclose documentation)	► 20	
21	Subtotal. Subtract the total of lines 18 through 20 from line 17. Not less than "0"	21	
22	Voluntary contribution for Endangered Wildlife Conservation	► 22	
23	Excise due plus voluntary contribution. Add lines 21 and 22	► 23	
24	2003 overpayment applied to 2004 estimated tax	► 24	
25	2004 Massachusetts estimated tax payments (do not include amount from line 23)	► 25	
26	Payments made with extension	► 26	
27	Total payments. Add lines 24 through 26	27	
28	Amount overpaid. Subtract line 23 from line 27	28	
29	Amount overpaid to be credited to 2005 estimated tax	► 29	
30	Amount overpaid to be refunded. Subtract line 28 from line 27	► 30	
31	Balance due. Subtract line 27 from line 23.	31	
32	M-2220 penalty ► \$; Other penalties ► \$ Total penalty	32	
33	Interest on unpaid balance	► 33	
34	Total payment due at time of filing	► 34	

Under penalties of perjury, I declare that to the best of my knowledge and belief, this return and enclosures are true, correct and complete.

Signature of appropriate corporate officer

Social Security number

Telephone number

Date

Signature of paid preparer

Employer Identification number

Address

Date

►
The Privacy Act Notice is available upon request. If you are signing as an authorized delegate of the appropriate corporate officer, check here ☐
and enclose Massachusetts Form M-2848, Power of Attorney. Mail to: Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204.
Make check or money order payable to the Commonwealth of Massachusetts.

Form code 385

Name, address and Federal Identification number of corporations

Amount

[illegible]

Apportionment factors

- | | | | |
|--|-------------------------|---------------------|----------------------|
| 1 Tangible property: | A. Massachusetts | B. Worldwide | C. Percentage |
| a Property owned (averaged) | 1a | | |
| b Rented property (capitalized) | 1b | | |
| c Totals. <i>Add lines 1a and 1b for each column</i> | 1c | | |
| d Tangible property apportionment percentage. <i>Divide line 1c, col. A by line 1c, col. B</i> | | | 1d % |
| 2 Payroll: | | | |
| a Total | 2a | | |
| b Payroll apportionment percentage. <i>Divide line 2a, col. A by line 2a, col. B</i> | | | 2b % |
| 3 Sales: | | | |
| a Tangibles | 3a | | |
| b Services | 3b | | |
| c Rents and royalties. | 3c | | |
| d Other | 3d | | |
| e Totals. <i>Add lines 3a through 3d for each column</i> | 3e | | |
| f Sales apportionment percentage. <i>Divide line 3e, col. a by line 3e, col. b</i> | | | 3f % |
| 4 Apportionment percentage. <i>Add lines 1d, 2b and 3f.</i> | | | 4 % |
| 5 Mass. apportionment percentage. <i>Divide line 4 by 3. See instructions.</i> Enter in line 13 of Computation of Franchise Tax | | | 5 % |

If the corporation is the lessee of any real estate or tangible personal property situated in Massachusetts, complete the following schedule.

Name of lessor

Address of lessor

Kind of property leased:

☐ Real estate ☐ Tangible personal property

Massachusetts address of leased property: Street address

City/Town

Zip

Authorized representative to whom contents may be disclosed in discussing questions which may arise in connection with this return:

Name of person authorized

Address

Form P.S.1 Instructions

Who Must File a Public Service Corporation Franchise Tax Return?

All utility corporations subject to Massachusetts General Laws (MGL) Ch. 63, sec. 52A, and which do any or all of their business in Massachusetts must complete and file Massachusetts Form P.S.1. Utility corporations are as follows:

- Every incorporated electric company and gas company subject to MGL Ch. 164;
- Every incorporated water company and aqueduct company subject to MGL Ch. 165;
- Every incorporated telephone and telegraph company subject to MGL Ch. 166;
- Every incorporated railroad and railway company subject to MGL Ch. 160 and every corporation qualified under said MGL Ch. 160, sec. 131A to acquire, own and operate terminal facilities from steam, electric or other types of railroad;
- Every incorporated street railway subject to MGL Ch. 161;
- Every incorporated electric railroad subject to MGL Ch. 162;
- Every incorporated trackless trolley company subject to MGL Ch. 163;
- Every domestic or foreign pipeline corporation engaged in the transportation or sale of natural gas within the Commonwealth; or
- Every foreign corporation which is not subject to the above chapters, but which does an electric, gas, water, aqueduct, telephone, telegraph, railroad, railway, electric railroad, trackless trolley or bus business within the Commonwealth and has, prior to January 1, 1952, been subject to taxation under MGL Ch. 63, secs. 53–60.

When Must Form P.S.1 Be Filed?

Form P.S.1 must be filed on or before the 15th day of the 3rd month after the close of the utility corporation's taxable year. A late return incurs a penalty of 1% per month (or fraction thereof), up to a maximum of 25% of the tax due. The penalty for late payment of the tax is $\frac{1}{2}\%$ per month (or fraction thereof) of the balance due, up to a maximum of 25%.

Can a Corporation Get an Extension of Time to File?

Yes. Utility corporations may request a six-month extension of time to file Form P.S.1 by submitting Massachusetts Form 355-7004 Misc. on or before the original due date of the return. At or before the time of filing Form 355-7004 Misc., the utility corporation must pay in full the estimated tax due. Failure to pay at least 50% of the total tax due as shown on your return will result in the voiding of the extension and the imposition of a late filing penalty.

What Is a Valid Return?

A valid return is a return upon which all required amounts have been entered in all appropriate lines on all forms. Data sheets, account forms or other schedules may be attached to explain amounts entered on the forms. However, referencing items to attachments in lieu of properly entering all amounts onto the return is not sufficient.

A properly filed return must also include exact and complete copies of all four pages of the corporation's U.S. Form 1120 or 1120A. Copies of all accompanying schedules and supplemental statements must be attached.

Reproduction of returns must be approved by the DOR prior to filing and meet the criteria provided in Technical Information Release 95-8. Please address form approvals to The Banking and Insurance Unit, PO Box 7052, Boston, MA 02204.

Failure to meet any of the requirements detailed in this section may result in a penalty for filing an insufficient return. Such penalties may be assessed at double the amount of the tax due.

When Must a Corporation Pay Estimated Taxes?

Any utility corporation which reasonably estimates its franchise tax to be more than \$1,000 must pay estimated taxes. Payments must be made in quarterly installments of 40%, 25%, 25% and 10% of the estimated annual tax liability. Any utility corporation which fails to receive Form 355-ES will not be excused from making the required payments of estimated tax.

Note: New corporations in their first full taxable year with less than 10 employees have different estimated payment percentages — 30%, 25%, 25% and 20% respectively.

Special Optical Character Readable payment vouchers are mailed to all companies who have made estimated payments or should be making estimated payments. These special forms are easier to fill out and facilitate processing.

Public Utility companies that underpay, or fail to pay, their estimated taxes may incur an additional penalty on the amount of the underpayment for the period of the underpayment. Form M-2220, Underpayment of Massachusetts Estimated Tax by Corporations, is used to compute the additional charge.

Any corporation having \$1 million or more of federal taxable income in any of its three preceding taxable years (as defined in section 6655 (g) of the IRC) may only use its prior year's tax liability to calculate its first quarterly estimated tax payment. Any reduction in the first installment payment that results from using this method must be added to the second installment payment.

How Is the Corporation Franchise Tax Determined?

The tax for utility corporations is $6\frac{1}{2}\%$ of net income. For tax purposes, net income is gross income from all sources, without exclusion, other than dividends from investment in 80% or more of the voting stock of another utility corporation, less deductions allowed by the Internal Revenue Code in effect for the taxable year. Deductions are not allowed for dividends received, losses sustained in other taxable years, and income, franchise and capital stock taxes. Any credits allowed under the Internal Revenue Code for the taxable year are not allowed in Massachusetts.

Are Combined Returns Allowed?

No. Public service corporations are **not** allowed to participate in the filing of combined returns.

Line Instructions

If your return is not for the calendar year, enter at the top of the form the dates of your taxable year. If the return covers less than a full fiscal year, the taxable year is the twelve month period ending with the close of the period covered by the return.

Should the Whole Dollar Method be Used?

Yes. All amounts entered on Form P.S.1 must be rounded off to the nearest dollar.

Registration Information

If your corporation has undergone a federal audit for some prior year, you must report any changes to Massachusetts on Form CA-6. You must report any federal audit changes within three months after the final determination of the correct taxable income by the IRS. Otherwise, you will be subject to a penalty. Answering "yes" to this question does not relieve the utility corporation from this filing obligation.

If the utility corporation is requesting alternative apportionment under Chapter 63, sec. 42, check the box and attach Form AA-1. Schedule O must also be completed and the tax paid according to the statutory three-factor formula. However, alternative treatment may be requested and a refund will be issued if such treatment is granted by the Commissioner. For further information, see MGL Chapter 63, sec. 42 or 830 CMR 63.42.1.

Computation of Franchise Tax

Line 1. Enter the utility corporation's federal taxable income before net operating loss deduction and special deductions, from U.S. Form 1120, line 28, or U.S. Form 1120A, line 24.

Line 2. Enter all interest received on state and municipal obligations not reported in federal net income.

Line 3. Massachusetts does not allow a deduction for state, local and foreign income, franchise, excise or capital stock taxes. Any such taxes which have been deducted from federal net income should be entered in line 3 and added back into income.

Line 4. Enter that portion of net capital loss carryover from U.S. Schedule D, Part 1, line 4 used to reduce your capital gain. Attach a copy of U.S. Schedule D.

Line 5. Enter the amount of any section 168(k) "bonus" depreciation. Massachusetts law was recently amended to decouple it from the adoption of Internal Revenue Code section 168(k). This section provides for a special depreciation allowance for certain property placed in service during the three-year period beginning on September 11, 2001. Under the Massachusetts law change, the new federal depreciation is not allowed. For Massachusetts tax purposes, for taxable years ending after September 10, 2001, depreciation is to be claimed on all assets, regardless of when they are placed in service. Use the method used for federal income tax purposes prior to the enactment of section 168(k). For more information, see TIR 02-11.

Line 6. Massachusetts law requires that a taxpayer add back to net income certain interest or intangible expenses and costs, including losses incurred in connection with factoring or discounting transactions. This add back is mandatory, with certain exceptions based generally upon showing by clear and convincing evidence that a particular add back would be unreasonable. To claim an exception for this new requirement, file Schedule ABI, Exceptions to the Add Back of Interest Expenses and/or Schedule ABIE, Exceptions to the Add Back of Intangible Expenses. For more information, see TIR 03-19.

Line 7. Enter all gross income from all other sources not included in lines 1 or 2 above.

Line 9. From Schedule N enter the dividends received from other utility corporations of which your company owns 80% or more.

Line 10. Enter the total costs of renovating an abandoned building in an Economic Opportunity Area. Multiply this amount by .10 and enter the result here. For further information, contact the Massachusetts Office of Business Development at One Ashburton Place, Room 2101, Boston, MA 02108.

Line 13. If the utility corporation conducts business activities in another state sufficient to give that state the jurisdiction to tax the corporation, Schedule O should be completed in order to determine the apportionment percentage. If all income is derived from business conducted in Massachusetts, enter 100% in line 13.

Line 16. If the corporation is required to recapture any amount of previously claimed EOA Credit or Low-Income Housing Credit, complete Schedule H-2 and enter the result in line 16 of the return. Current year credits can then be used to offset the total excise due which will include the recapture amount.

Line 18. Economic Opportunity Area Credit. Enter the amount of Economic Opportunity Area Credit claimed this year from Schedule EOAC, line 9. Enclose a completed Schedule EOAC to this return. For more information, contact the Massachusetts Office of Business Development at One Ashburton Place, Room 2101, Boston, MA 02108.

Line 19. Full Employment Program Credit. A qualified employer participating in the Full Employment Program may claim a credit of \$100 per month of eligible employment per employee. The maximum amount of credit that may be applied in all taxable years with respect to each employee is \$1,200. Enclose Schedule FEC to this return. For more information, contact the Department of Transitional Assistance, 600 Washington Street, Boston, MA 02111.

Line 20. Low-Income Housing Credit. To claim the Low-Income Housing credit, enclose documentation with the return. For further information on this credit, contact the DHCD, Division of Private Housing, at (617) 727-7824.

Line 22. Voluntary Contribution for Endangered Wildlife Conservation. Any corporation that wishes to contribute any amount to the Natural Heritage and Endangered Species Fund may do so on this form. This amount is added to the excise due. It increases the amount of the corporation's payment or reduces the amount of its refund.

The Natural Heritage and Endangered Species Fund is administered by the Department of Fisheries, Wildlife and Law Enforcement to provide for conservation programs for rare, endangered and nongame wildlife and plants in the Commonwealth.

Schedule N. Dividends from Other Utility Corporations 80% or More Owned

Enter the federal identification number and the names of the utility corporations of which the corporation owns 80% or more of the voting stock, and actual amounts of dividends received. Enter the total in line 9 of the Computation of Franchise Tax.

Schedule O. Income Apportionment

Schedule O should be completed only by a corporation deriving income from business activities in another state which allows such state the jurisdiction to levy tax on account of such activities.

There are changes to the allocation and apportionment of income rules that apply to corporations and financial institutions. The changes provide for the allocation of certain non-apportionable income to Massachusetts when the income is realized by an in-state domiciliary corporation, and also treat a deemed sale of assets pursuant to Internal Revenue Code § 338 as resulting in receipts from the sale of assets for purposes of the sales factor apportionment provision. In addition, the rules restate and clarify the sales factor rules so that in the licensing of intangible property the "income-producing activity" will be deemed to be performed in Massachusetts to the extent that the intangible property is used in Massachusetts. See TIR 04-22.

Property Factor

Line 1a. For tax purposes, average value is based on original cost and is determined by averaging the property values at the beginning and end of the taxable year. If substantial changes occur during the taxable year, the Commissioner may require monthly averaging to properly reflect the average value of the property.

Line 1b. Property rented by the corporation is valued at eight times the annual net rental rate paid less any sub-rentals received.

Payroll Factor

Line 2a. For column A, use the same basis as is used for reporting employee compensation to the Massachusetts Department of Employment and Training. For column B, use the same basis as is used for reporting employee compensation to the Internal Revenue Service.

Sales Factor

For sales factors, enter all gross receipts of the corporation with the exception of those receipts from interest, dividends and the sale or other disposition of securities.

Line 3a. Sales of tangible property including water, steam and electricity are assignable to Massachusetts if:

- the property is delivered or shipped to any buyer, including the U.S. government, in Massachusetts; or
- the selling corporation is not taxable in the state of the buyer and the property is not sold by an agent or agencies chiefly situated at, connected with, or sent out from premises for the transaction of business owned or rented by the corporation outside Massachusetts. A buyer for this item includes the U.S. Government.

Line 3b. Sales of services, or other intangibles, are assigned to Massachusetts if the income producing activity is performed in Massachusetts, or if a greater portion of the activity, based on performance cost, occurs in Massachusetts than in any other state.

Line 3c. Rents from property located or used in Massachusetts are assigned to Massachusetts. Royalties are assigned to the state in which the property right is actually used by the lessee.

Line 5. Divide the total apportionment percentage in line 4 by either 3, 2 or 1, depending upon the number of apportionment factors which apply. For example, if only the sales and payroll factors are applicable, divide by 2 instead of 3. An apportionment factor should not necessarily be considered inapplicable if its Massachusetts total (column a, lines 1c, 2a or 3e) is zero. If any of the apportionment totals for "everywhere," (column b, items 1c, 2a or 3e) are less than 3.33% of net income, **do not** include that factor in your Massachusetts apportionment percentage.

Schedule S. Leased Property

A corporation which is the lessee of any real estate or tangible personal property in Massachusetts must submit the name and address of the owner of such property and its location.

Where to File

All returns should be mailed to:

**Massachusetts Department of Revenue
PO Box 7052
Boston, MA 02204**